

**NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS**

**Financial Statements for the  
Years Ended December 31, 2018 and 2017 and  
Independent Auditor's Report**

# **NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS**

## **Financial Statements for the Years Ended December 31, 2018 and 2017 and Independent Auditor's Report**

### **BOARD MEMBERS (2018)**

J. David Stike, Chairman

Lee Thomason, Vice Chairman

Benton Albritton

Rex A. Bost

Lyle D. Gardner

Robyn Hicks-Guinn

Henry Lanier

Robert E. Lasater, Jr., P.E.

Gray E. Pendleton

### **EXECUTIVE OFFICER**

C. Frank Wiesner, Executive Director/Secretary-Treasurer

### **LEGAL COUNSEL**

Anna Baird Choi  
Nichols, Choi & Lee, PLLC

# **NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS**

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# **NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Introduction**

This section of the Board's financial report represents Management's analysis of the Board's financial performance during the years ended December 31, 2018 and 2017. Please read it in conjunction with the financial statements which follow this section.

### **Financial Highlights**

During 2018, the Board's net position for its Operating Fund increased by \$341,859, or 5.82%, due primarily to a consistent recurrence of revenues exceeding expenses. During 2017, the Board's net position for its Operating Fund increased by \$252,470, or 4.49%, due primarily to a consistent recurrence of revenues exceeding expenses. During 2018, the Board's net position for its Recovery Fund decreased by \$322,624, or 48.96%, due primarily to the board paying more recovery fund claims than it did in the preceding year. During 2017, the Board's net position for its Recovery Fund increased by \$152,558, or 30.13%, due primarily to the board collecting more recovery fees than it did in the preceding year.

During 2018, the Board's operating revenues for its Operating Fund increased by \$169,254, or 5.67%, due primarily to an increase in processing fees and new application fees. During 2017, the Board's operating revenues for its Operating Fund increased by \$32,870, or 1.11%, due primarily to an increase in other income - consent order revenue. During 2018, the Board's operating revenues for its Recovery Fund increased by \$56,841, or 10.79%, due to an increase in recovery fees collected. During 2017, the Board's operating revenues for its Recovery Fund increased by \$38,523, or 7.89%, due to an increase in recovery fees collected.

During 2018, the Board's non-operating revenues (less non-operating expenses) for its Operating Fund increased by \$10,891, or 13.80%, due to a decrease in interest expense on loans (as loan principal is amortizing) and due to an increase in interest income. During 2017, the Board's non-operating revenues (less non-operating expenses) for its Operating Fund increased by \$23,049, or 22.6%, due to a decrease in interest expense on loans (as loan principal is amortizing) and due to an increase in interest income. During 2018, the Board's non-operating revenues for its Recovery Fund decreased by \$843, or 40.86%, due to a decrease in noncapital gift income. During 2017, the Board's non-operating revenues for its Recovery Fund increased by \$1,542, or 295.97%, due to an increase in noncapital gift income.

During 2018, the Board's operating expenses for its Operating Fund increased by \$90,756, or 3.42%, due primarily to an increase in legal fees and computer consulting fees. During 2017, the Board's operating expenses for its Operating Fund increased by \$215,938, or 8.86%, due primarily to an increase in salaries (accrued compensated absences pay), legal fees and computer consulting fees. During 2018, the Board's operating expenses for its Recovery Fund increased by \$531,180 or 141.22%, due primarily to the Board awarding more Recovery Fund claims during 2018 than it did in the preceding year. During 2017, the Board's operating expenses for its Recovery Fund decreased by \$21,573 or 5.42%, due primarily to the Board awarding less Recovery Fund claims during 2017 than it did in the preceding year.

# NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Overview of the Financial Statements

This financial report consists of two sections: Management's Discussion and Analysis and the Financial Statements. The Board has no other supplementary information required by the Governmental Accounting Standards Board (GASB). The Financial Statements also include notes to the financial statements that provide detail of the information included in the financial statements.

The financial statements of the Board report information about the Board using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about the activities of the Board. The Statements of Net Position present the current and long-term portions of assets and liabilities separately. The Statements of Revenues, Expenses, and Changes in Net Position present information on how the Board's assets changed as a result of its operations. The Statements of Cash Flows present information on how the Board's cash changed as a result of its financial activities.

### Condensed Financial Information

The following presents condensed financial information on the operations of the Board:

|                                | Current Year<br>as of and for<br>the year ended<br>December 31, 2018<br>Operating Fund | Current Year<br>as of and for<br>the year ended<br>December 31, 2018<br>Recovery Fund | Current Year<br>as of and for<br>the year ended<br>December 31, 2017<br>Operating Fund | Current Year<br>as of and for<br>the year ended<br>December 31, 2017<br>Recovery Fund |
|--------------------------------|--|---|--|---|
| Current assets                 | \$ 4,338,696   | \$ 334,768  | \$ 4,072,274   | \$ 655,989  |
| Capital assets                 | 6,090,477  | 1,745   | 6,239,773  | 2,960   |
| Total assets                   | <u>\$ 10,429,173</u>   | <u>\$ 336,513</u>   | <u>\$ 10,312,047</u>   | <u>\$ 658,949</u>   |
| Current liabilities            | \$ 2,119,688   | \$ 202  | \$ 2,032,651   | \$ 14   |
| Long-term liabilities          | 2,090,344  |   | 2,402,114  |   |
| Total liabilities              | <u>\$ 4,210,032</u>  | <u>\$ 202</u>   | <u>\$ 4,434,765</u>  | <u>\$ 14</u>  |
| Net invested in capital assets | \$ 3,722,757   | \$ 1,745  | \$ 3,572,685   | \$ 2,960  |
| Restricted                     |  | 334,566   |  | 655,975   |
| Unrestricted                   | 2,496,384  |   | 2,304,597  |   |
| Total net position             | <u>\$ 6,219,141</u>  | <u>\$ 336,311</u>   | <u>\$ 5,877,282</u>  | <u>\$ 658,935</u>   |
| Operating revenues             | \$ 3,152,648   | \$ 583,475  | \$ 2,983,394   | \$ 526,634  |
| Operating expenses             | (2,742,749)  | (907,319)   | (2,651,993)  | (376,139)   |
| Operating income               | 409,899  | (323,844)   | 331,401  | 150,495   |
| Non-operating revenues         | (68,040)   | 1,220   | (78,931)   | 2,063   |
| Change in net position         | <u>\$ 341,859</u>  | <u>\$ (322,624)</u>   | <u>\$ 252,470</u>  | <u>\$ 152,558</u>   |

# NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial Analysis

Net position is an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$6,219,141 for the Operating Fund and by \$336,311 for the Recovery Fund for the year ended December 31, 2018. The largest component of net position for the Operating Fund was capital assets. Net capital assets represented 97.93% of total net position for the Operating Fund. The largest component of net position for the Recovery Fund was cash and cash equivalents. Cash and cash equivalents represented 99.46% of the total net position for the Recovery Fund.

The following is a summary of the Statements of Net Position for the Operating Fund.

|                            | Current Year<br>as of<br>December 31, 2018 | Current Year<br>as of<br>December 31, 2017 | Amount<br>of<br>Change | Percentage<br>Change |
|----------------------------|--|--|------------------------|----------------------|
| Current assets             | \$ 4,338,696                               | \$ 4,072,274                               | \$ 266,422             | 6.54%                |
| Capital assets             | 6,090,477                                  | 6,239,773                                  | (149,296)              | -2.39%               |
| Total assets               | <u>\$ 10,429,173</u>                       | <u>\$ 10,312,047</u>                       | <u>\$ 117,126</u>      | <u>1.14%</u>         |
| Current liabilities        | \$ 2,119,688                               | \$ 2,032,651                               | \$ 87,037              | 4.28%                |
| Long-term liabilities      | 2,090,344                                  | 2,402,114                                  | (311,770)              | -12.98%              |
| Total liabilities          | <u>\$ 4,210,032</u>                        | <u>\$ 4,434,765</u>                        | <u>\$ (224,733)</u>    | <u>-5.07%</u>        |
| Invested in capital assets | \$ 3,722,757                               | \$ 3,572,685                               | \$ 150,072             | 4.20%                |
| Unrestricted               | 2,496,384                                  | 2,304,597                                  | 191,787                | 8.32%                |
| Total net position         | <u>\$ 6,219,141</u>                        | <u>\$ 5,877,282</u>                        | <u>\$ 341,859</u>      | <u>5.82%</u>         |

The following is a summary of the Statements of Revenues, Expenses, and Changes in Net Position for the Operating Fund.

|                        | The year ended<br>December 31, 2018 | The year ended<br>December 31, 2017 | Amount<br>of<br>Change | Percentage<br>Change |
|------------------------|-------------------------------------|-------------------------------------|------------------------|----------------------|
| Operating revenues     | \$ 3,152,648                        | \$ 2,983,394                        | \$ 169,254             | 5.67%                |
| Operating expenses     | (2,742,749)                         | (2,651,993)                         | (90,756)               | 3.42%                |
| Non-operating rev/exp  | (68,040)                            | (78,931)                            | 10,891                 | 13.80%               |
| Change in net position | <u>\$ 341,859</u>                   | <u>\$ 252,470</u>                   | <u>\$ 89,389</u>       | <u>35.41%</u>        |
| Ending net position    | <u>\$ 6,219,141</u>                 | <u>\$ 5,877,282</u>                 | <u>\$ 341,859</u>      | <u>5.82%</u>         |

# **NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following is a breakdown of operating revenues by source for the Operating Fund.

|                        | The year ended<br>December 31, 2018 | The year ended<br>December 31, 2017 | Amount<br>of<br>Change | Percentage<br>Change |
|------------------------|-------------------------------------|-------------------------------------|------------------------|----------------------|
| Renewals               | \$ 2,365,900                        | \$ 2,340,225                        | \$ 25,675              | 1.10%                |
| Processing fees        | 345,986                             | 270,740                             | 75,246                 | 27.79%               |
| New application fees   | 249,675                             | 151,450                             | 98,225                 | 64.86%               |
| Applications           | 3,310                               | 3,874                               | (564)                  | -14.56%              |
| Increase in limit fees | 21,375                              | 18,775                              | 2,600                  | 13.85%               |
| Sales of publications  | 7,469                               | 6,430                               | 1,039                  | 16.16%               |
| Reimbursement Recovery | 79,200                              | 79,200                              | 0                      | 0.00%                |
| Other income           | 79,733                              | 112,700                             | (32,967)               | -29.25%              |
| Total                  | <u>\$ 3,152,648</u>                 | <u>\$ 2,983,394</u>                 | <u>\$ 169,254</u>      | <u>5.67%</u>         |

The following is a breakdown of non-operating revenues and expenses by source for the Operating Fund.

|                               | The year ended<br>December 31, 2018 | The year ended<br>December 31, 2017 | Amount<br>of<br>Change | Percentage<br>Change |
|-------------------------------|-------------------------------------|-------------------------------------|------------------------|----------------------|
| Interest income               | \$ 8,955                            | \$ 5,020                            | \$ 3,935               | 78.39%               |
| Gain (loss) on capital assets | (1,311)                             | 543                                 | (1,854)                | -341.44%             |
| Interest expense on loan      | (75,684)                            | (84,494)                            | 8,810                  | -10.43%              |
| Total                         | <u>\$ (68,040)</u>                  | <u>\$ (78,931)</u>                  | <u>\$ 10,891</u>       | <u>13.80%</u>        |

# NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a summary of the Statements of Net Position for the Recovery Fund.

|                            | Current Year<br>as of<br>December 31, 2018 | Current Year<br>as of<br>December 31, 2017 | Amount<br>of<br>Change | Percentage<br>Change |
|----------------------------|--|--|------------------------|----------------------|
| Current assets             | \$ 334,768                                 | \$ 655,989                                 | \$ (321,221)           | -48.97%              |
| Capital assets             | 1,745                                      | 2,960                                      | (1,215)                | -41.05%              |
| Total assets               | <u>\$ 336,513</u>                          | <u>\$ 658,949</u>                          | <u>\$ (322,436)</u>    | <u>-48.93%</u>       |
| Current liabilities        | \$ 202                                     | \$ 14                                      | \$ 188                 | 1342.86%             |
| Total liabilities          | <u>\$ 202</u>                              | <u>\$ 14</u>                               | <u>\$ 188</u>          | <u>1342.86%</u>      |
| Invested in capital assets | \$ 1,745                                   | \$ 2,960                                   | \$ (1,215)             | -41.05%              |
| Restricted net position    | 334,566                                    | 655,975                                    | (321,409)              | -49.00%              |
| Total net position         | <u>\$ 336,311</u>                          | <u>\$ 658,935</u>                          | <u>\$ (322,624)</u>    | <u>-48.96%</u>       |

The following is a summary of the Statements of Revenues, Expenses, and Changes in Net Position for the Recovery Fund.

|                        | The year ended<br>December 31, 2018 | The year ended<br>December 31, 2017 | Amount<br>of<br>Change | Percentage<br>Change |
|------------------------|-------------------------------------|-------------------------------------|------------------------|----------------------|
| Operating revenues     | \$ 583,475                          | \$ 526,634                          | \$ 56,841              | 10.79%               |
| Operating expenses     | (907,319)                           | (376,139)                           | (531,180)              | 141.22%              |
| Non-operating revenues | 1,220                               | 2,063                               | (843)                  | -40.86%              |
| Change in net position | <u>\$ (322,624)</u>                 | <u>\$ 152,558</u>                   | <u>\$ (475,182)</u>    | <u>-311.48%</u>      |
| Ending net position    | <u>\$ 336,311</u>                   | <u>\$ 658,935</u>                   | <u>\$ (322,624)</u>    | <u>-48.96%</u>       |



## **NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following is a breakdown of operating revenues by source for the Recovery Fund.

|               | The year ended<br>December 31, 2018 | The year ended<br>December 31, 2017 | Amount<br>of<br>Change | Percentage<br>Change |
|---------------|-------------------------------------|-------------------------------------|------------------------|----------------------|
| Recovery fees | \$ 583,475                          | \$ 526,634                          | \$ 56,841              | 10.79%               |
| Total         | \$ 583,475                          | \$ 526,634                          | \$ 56,841              | 10.79%               |

The following is a breakdown of non-operating revenues by source for the Recovery Fund.

|                 | The year ended<br>December 31, 2018 | The year ended<br>December 31, 2017 | Amount<br>of<br>Change | Percentage<br>Change |
|-----------------|-------------------------------------|-------------------------------------|------------------------|----------------------|
| Interest income | \$ 1,220                            | \$ 563                              | \$ 657                 | 116.70%              |
| Noncapital gift | 0                                   | 1,500                               | (1,500)                | -100.00%             |
| Total           | \$ 1,220                            | \$ 2,063                            | \$ (843)               | -40.86%              |

### **Events Affecting Future Operations**

A committee appointed by the North Carolina Legislature, The Joint Legislative Administrative Procedure Oversight Committee, has been performing a study concerning the deregulation, elimination and consolidation of occupational licensing boards in the State of North Carolina. The effect of any resulting legislation on the Board's operations in future years is not certain at this time.

### **Contacting the Board's Management**

This financial report is designed to provide a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have any questions about this report or need additional information, contact: North Carolina Licensing Board for General Contractors, PO Box 17187, Raleigh, NC 27619.

***Shelton L. Hawley, CPA, PA***  
**Certified Public Accountants**

Suite B1  
800 N. Raleigh St.  
P.O. Box 1545  
Angier, North Carolina 27501-1545

Telephone: (919) 639-4825  
Facsimile: (919) 639-3102

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board  
North Carolina Licensing Board for General Contractors  
Raleigh, North Carolina

***Report on the Financial Statements***

We have audited the accompanying financial statements of the North Carolina Licensing Board for General Contractors (the "Board"), an independent state board which is a nonmajor enterprise fund of the primary government of the State of North Carolina, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which comprise the Board's financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on the audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina Licensing Board for General Contractors as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the supplementary information because the limited procedures do not provide sufficient evidence to express an opinion or provide any assurance thereon.



Shelton L. Hawley, C.P.A., P.A.

Angier, North Carolina

April 26, 2019

**NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS**  
**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2018 AND 2017**

|  | 2018                              |                   | 2017                              |                   |
|--|-----------------------------------|-------------------|-----------------------------------|-------------------|
|  | Proprietary -<br>Enterprise Funds |                   | Proprietary -<br>Enterprise Funds |                   |
|  | Operating<br>Fund                 | Recovery<br>Fund  | Operating<br>Fund                 | Recovery<br>Fund  |
| <b>ASSETS</b>  |                                   |                   |                                   |                   |
| Current assets:  |                                   |                   |                                   |                   |
| Cash and cash equivalents (Notes 1 and 2)                      | \$ 4,318,537                      | \$ 334,511        | \$ 4,055,319                      | \$ 655,989        |
| Prepaid expenses (Note 1)                                      | 20,159                            | 257               | 16,955                            |                   |
| Total current assets   | 4,338,696                         | 334,768           | 4,072,274                         | 655,989           |
| Capital assets (Notes 1 and 3):                                |                                   |                   |                                   |                   |
| Land and building  | 5,858,694                         |                   | 5,930,980                         |                   |
| Furniture and office equipment                                 | 231,783                           | 1,745             | 308,793                           | 2,960             |
| Total capital assets - net of depreciation                     | 6,090,477                         | 1,745             | 6,239,773                         | 2,960             |
| <b>TOTAL ASSETS</b>  | <b>\$ 10,429,173</b>              | <b>\$ 336,513</b> | <b>\$ 10,312,047</b>              | <b>\$ 658,949</b> |
| <b>LIABILITIES AND NET POSITION</b>                            |                                   |                   |                                   |                   |
| LIABILITIES:   |                                   |                   |                                   |                   |
| Current liabilities:   |                                   |                   |                                   |                   |
| Accounts payable - operations                                  | \$ 68,237                         | \$ 188            | \$ 34,672                         | \$                |
| Due to other state agencies                                    | 898                               | 14                | 884                               | 14                |
| Note payable - current portion (Note 6)                        | 309,365                           |                   | 300,413                           |                   |
| Accrued compensated absences - current portion (Notes 1 and 6) | 10,663                            |                   | 138,357                           |                   |
| Unearned revenue (Note 1)                                      | 1,730,525                         |                   | 1,558,325                         |                   |
| Total current liabilities                                      | 2,119,688                         | 202               | 2,032,651                         | 14                |

See notes to financial statements.

**NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS**  
**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2018 AND 2017**

|  | 2018                              |                       | 2017                              |                       |
|--|-----------------------------------|-----------------------|-----------------------------------|-----------------------|
|  | Proprietary -<br>Enterprise Funds |                       | Proprietary -<br>Enterprise Funds |                       |
|  | Operating<br>Fund                 | Recovery<br>Fund      | Operating<br>Fund                 | Recovery<br>Fund      |
| Long-term debt:  |                                   |                       |                                   |                       |
| Note payable - long-term portion (Note 6)                        | 2,058,355                         |                       | 2,366,675                         |                       |
| Accrued compensated absences - long-term portion (Notes 1 and 6) | 31,989                            |                       | 35,439                            |                       |
| Total long-term debt   | <u>2,090,344</u>                  | <u>0</u>              | <u>2,402,114</u>                  | <u>0</u>              |
| <br>TOTAL LIABILITIES  | <br><u>4,210,032</u>              | <br><u>202</u>        | <br><u>4,434,765</u>              | <br><u>14</u>         |
| <br>NET POSITION (NOTE 1):                                       |                                   |                       |                                   |                       |
| Net investment in capital assets                                 | 3,722,757                         | 1,745                 | 3,572,685                         | 2,960                 |
| Restricted net position - expendable                             |                                   | 84,566                |                                   | 405,975               |
| Restricted net position - nonexpendable                          |                                   | 250,000               |                                   | 250,000               |
| Unrestricted net position  | <u>2,496,384</u>                  |                       | <u>2,304,597</u>                  |                       |
| <br>TOTAL NET POSITION   | <br><u>6,219,141</u>              | <br><u>336,311</u>    | <br><u>5,877,282</u>              | <br><u>658,935</u>    |
| <br>TOTAL LIABILITIES AND NET POSITION                           | <br><u>\$ 10,429,173</u>          | <br><u>\$ 336,513</u> | <br><u>\$ 10,312,047</u>          | <br><u>\$ 658,949</u> |

See notes to financial statements.

**NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

|  | Year Ended December 31,           |                   |                                   |                   |
|--|-----------------------------------|-------------------|-----------------------------------|-------------------|
|  | 2018                              |                   | 2017                              |                   |
|  | Proprietary -<br>Enterprise Funds |                   | Proprietary -<br>Enterprise Funds |                   |
|  | Operating<br>Fund                 | Recovery<br>Fund  | Operating<br>Fund                 | Recovery<br>Fund  |
| OPERATING REVENUES:  |                                   |                   |                                   |                   |
| Fees, licenses and fines:                                  |                                   |                   |                                   |                   |
| Renewals   | \$ 2,365,900                      | \$                | \$ 2,340,225                      | \$                |
| Processing fees  | 345,986                           |                   | 270,740                           |                   |
| New application fees                                       | 249,675                           |                   | 151,450                           |                   |
| Applications   | 3,310                             |                   | 3,874                             |                   |
| Increase in limit fees                                     | 21,375                            |                   | 18,775                            |                   |
| Recovery fees (Note 1)                                     |                                   | 583,475           |                                   | 526,634           |
| Sales - publications                                       | 7,469                             |                   | 6,430                             |                   |
| Administrative reimbursement from                          |                                   |                   |                                   |                   |
| Recovery Fund  | 79,200                            |                   | 79,200                            |                   |
| Other miscellaneous operating income                       | 79,733                            |                   | 112,700                           |                   |
| Total operating revenues                                   | <u>\$ 3,152,648</u>               | <u>\$ 583,475</u> | <u>\$ 2,983,394</u>               | <u>\$ 526,634</u> |
| OPERATING EXPENSES:  |                                   |                   |                                   |                   |
| Personal services:   |                                   |                   |                                   |                   |
| Salaries (including accumulated leave) (Note 1)            | \$ 976,081                        | \$                | \$ 1,140,566                      | \$                |
| Social security/medicare contributions                     | 84,351                            |                   | 87,253                            |                   |
| Unemployment claim paid                                    | 598                               |                   |                                   |                   |
| Retirement contributions (Note 7)                          | 56,224                            |                   | 57,137                            |                   |
| Employee benefits  | 229,053                           |                   | 207,987                           |                   |
| Contracted temporary services                              | 716                               |                   | 8,395                             |                   |
| Board members expenses                                     | 19,329                            | 2,226             | 19,437                            | 994               |
| Hearing expenses   |                                   | 3,199             |                                   | 1,676             |
| Supplies and materials:                                    |                                   |                   |                                   |                   |
| Office supplies and expenses                               | 23,791                            |                   | 36,117                            | 305               |
| Services:  |                                   |                   |                                   |                   |
| Legal, auditing, accounting and other<br>professional fees | 525,995                           | 6,849             | 329,333                           | 4,926             |
| Computer and web site support expenses                     | 226,291                           |                   | 221,573                           |                   |
| Staff travel expenses                                      | 17,247                            |                   | 37,275                            |                   |
| Printing and copying costs                                 | 21,247                            |                   | 33,842                            |                   |

See notes to financial statements.

**NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

|  | Year Ended December 31,           |                          |                                   |                          |
|--|-----------------------------------|--------------------------|-----------------------------------|--------------------------|
|  | 2018                              |                          | 2017                              |                          |
|  | Proprietary -<br>Enterprise Funds |                          | Proprietary -<br>Enterprise Funds |                          |
|  | Operating<br>Fund                 | Recovery<br>Fund         | Operating<br>Fund                 | Recovery<br>Fund         |
| OPERATING EXPENSES (CONTINUED):                            |                                   |                          |                                   |                          |
| Postage  | 50,037                            |                          | 69,593                            |                          |
| Telephone  | 18,238                            | 171                      | 20,600                            | 191                      |
| Credit card processing fees                                | 52,179                            |                          | 1,503                             |                          |
| Building operating costs                                   | 86,121                            |                          | 83,584                            |                          |
| Depreciation   | 150,328                           | 1,215                    | 159,406                           | 1,214                    |
| Insurance and bonding                                      | 12,629                            |                          | 12,607                            |                          |
| Other Expenses:  |                                   |                          |                                   |                          |
| Vehicle leases (including operating costs) (Note 5)        | 64,408                            |                          | 35,978                            |                          |
| Machine rental and maintenance (Note 5)                    | 111,897                           | 3,664                    | 67,760                            | 3,590                    |
| Dues and subscriptions                                     | 5,961                             |                          | 2,690                             |                          |
| Contribution to North Carolina<br>Engineering Foundation   | 5,000                             |                          | 5,000                             |                          |
| Claims paid (Notes 1 and 10)                               |                                   | 810,764                  |                                   | 284,000                  |
| Administrative reimbursement to<br>Operating Fund (Note 8) |                                   | 79,200                   |                                   | 79,200                   |
| Miscellaneous expenses                                     | 5,028                             | 31                       | 14,357                            | 43                       |
| Total operating expenses                                   | <u>\$ 2,742,749</u>               | <u>\$ 907,319</u>        | <u>\$ 2,651,993</u>               | <u>\$ 376,139</u>        |
| Operating income (loss)                                    | \$ 409,899                        | \$ (323,844)             | \$ 331,401                        | \$ 150,495               |
| NON-OPERATING INCOME<br>(EXPENSES):                        |                                   |                          |                                   |                          |
| Interest income  | \$ 8,955                          | \$ 1,220                 | \$ 5,020                          | \$ 563                   |
| Noncapital gift  |                                   |                          |                                   | 1,500                    |
| Gain (loss) on disposition of capital assets               | (1,311)                           |                          | 543                               |                          |
| Interest expense on loan                                   | <u>(75,684)</u>                   | <u></u>                  | <u>(84,494)</u>                   | <u></u>                  |
| Total non-operating revenues (net)                         | <u>\$ (68,040)</u>                | <u>\$ 1,220</u>          | <u>\$ (78,931)</u>                | <u>\$ 2,063</u>          |
| Change in net position                                     | \$ 341,859                        | \$ (322,624)             | \$ 252,470                        | \$ 152,558               |
| Net position - beginning of year                           | <u>5,877,282</u>                  | <u>658,935</u>           | <u>5,624,812</u>                  | <u>506,377</u>           |
| Net position - end of year                                 | <u><u>\$ 6,219,141</u></u>        | <u><u>\$ 336,311</u></u> | <u><u>\$ 5,877,282</u></u>        | <u><u>\$ 658,935</u></u> |

See notes to financial statements.

**NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

|   | Year Ended December 31,           |                          |                                   |                          |
|---|-----------------------------------|--------------------------|-----------------------------------|--------------------------|
|   | 2018                              |                          | 2017                              |                          |
|   | Proprietary -<br>Enterprise Funds |                          | Proprietary -<br>Enterprise Funds |                          |
|   | Operating<br>Fund                 | Recovery<br>Fund         | Operating<br>Fund                 | Recovery<br>Fund         |
| Cash flows from operating activities:                                   |                                   |                          |                                   |                          |
| Cash received from fees   | \$ 3,158,446                      | \$ 583,475               | \$ 2,923,489                      | \$ 526,634               |
| Cash received from other operating<br>revenues                          | 166,402                           |                          | 198,330                           |                          |
| Cash payments to employees for<br>services (including benefits)         | (1,477,451)                       |                          | (1,430,497)                       |                          |
| Cash payments for operating expenses                                    | <u>(1,215,739)</u>                | <u>(906,173)</u>         | <u>(1,017,381)</u>                | <u>(374,939)</u>         |
| Net cash provided (used)<br>by operating activities                     | \$ 631,658                        | \$ (322,698)             | \$ 673,941                        | \$ 151,695               |
| Cash flows from noncapital financing activities:                        |                                   |                          |                                   |                          |
| Noncapital gift   | <u>\$</u>                         | <u>\$</u>                | <u>\$</u>                         | <u>\$ 1,500</u>          |
| Net cash provided (used)<br>by noncapital financing activities          | \$ 0                              | \$ 0                     | \$ 0                              | \$ 1,500                 |
| Cash flows from capital and related<br>financing activities:            |                                   |                          |                                   |                          |
| Proceeds from disposition of capital assets                             | \$ 400                            | \$                       | \$ 573                            | \$                       |
| Acquisition of capital assets   | (2,743)                           |                          | (14,621)                          |                          |
| Principal payments on loans   | (299,368)                         |                          | (290,558)                         |                          |
| Interest payments on loans  | <u>(75,684)</u>                   |                          | <u>(84,494)</u>                   |                          |
| Net cash provided (used) in capital<br>and related financing activities | <u>\$ (377,395)</u>               | <u>\$ 0</u>              | <u>\$ (389,100)</u>               | <u>\$ 0</u>              |
| Cash flows from investing activities:                                   |                                   |                          |                                   |                          |
| Interest earnings   | <u>\$ 8,955</u>                   | <u>\$ 1,220</u>          | <u>\$ 5,020</u>                   | <u>\$ 563</u>            |
| Net cash provided (used)<br>by investing activities                     | \$ 8,955                          | \$ 1,220                 | \$ 5,020                          | \$ 563                   |
| Net increase (decrease) in cash   | <u>\$ 263,218</u>                 | <u>\$ (321,478)</u>      | <u>\$ 289,861</u>                 | <u>\$ 153,758</u>        |
| Cash - beginning of year  | <u>4,055,319</u>                  | <u>655,989</u>           | <u>3,765,458</u>                  | <u>502,231</u>           |
| Cash - end of year  | <u><u>\$ 4,318,537</u></u>        | <u><u>\$ 334,511</u></u> | <u><u>\$ 4,055,319</u></u>        | <u><u>\$ 655,989</u></u> |

See notes to financial statements.



**NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

|  | Year Ended December 31,           |                  |                                   |                  |
|--|-----------------------------------|------------------|-----------------------------------|------------------|
|  | 2018                              |                  | 2017                              |                  |
|  | Proprietary -<br>Enterprise Funds |                  | Proprietary -<br>Enterprise Funds |                  |
|  | Operating<br>Fund                 | Recovery<br>Fund | Operating<br>Fund                 | Recovery<br>Fund |
| Reconciliation of operating income to net cash provided by operating activities:       |                                   |                  |                                   |                  |
| Operating income (loss)  | \$ 409,899                        | \$ (323,844)     | \$ 331,401                        | \$ 150,495       |
| Adjustments to reconcile operating income To net cash provided by operating activities |                                   |                  |                                   |                  |
| Depreciation   | \$ 150,328                        | \$ 1,215         | \$ 159,406                        | \$ 1,214         |
| Changes in assets and liabilities:   |                                   |                  |                                   |                  |
| Prepaid expenses   | (3,204)                           | (257)            | (5,298)                           |                  |
| Accounts payable   | 33,579                            | 188              | (12,439)                          | (14)             |
| Unearned revenue   | 172,200                           |                  | 138,425                           |                  |
| Other accrued liabilities  | (131,144)                         |                  | 62,446                            |                  |
| Total adjustments  | \$ 221,759                        | \$ 1,146         | \$ 342,540                        | \$ 1,200         |
| Net cash provided (used) by operating activities                                       | \$ 631,658                        | \$ (322,698)     | \$ 673,941                        | \$ 151,695       |
| Supplemental disclosure(s) of noncash investing, capital, and financing activities:    |                                   |                  |                                   |                  |
| Capital asset write-offs   | \$ (1,711)                        | \$ 0             | \$ (30)                           | \$ 0             |
| Supplemental disclosure(s) of cash flow information:                                   |                                   |                  |                                   |                  |
| Interest paid on note  | \$ 75,684                         | \$ 0             | \$ 84,494                         | \$ 0             |

See notes to financial statements.

**NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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Note 1 - Nature of Activities and Significant Accounting Policies

**Description of Organization and Purpose**

The North Carolina Licensing Board for General Contractors (the "Board") is an independent State board. It is an occupational licensing board and is authorized by Chapter 87 of the North Carolina General Statutes. The Board is composed of nine members who are appointed by the Governor of the State of North Carolina. It is a nonmajor enterprise fund of the primary government of the State of North Carolina and is reported as such in the State's Comprehensive Annual Financial Report (CAFR).

The Board is established to maintain minimum standards for services provided by general contractors.

The Board's operations are financed with self-generated revenues from fees charged to licensees.

On March 10, 1925, upon the creation of the Board pursuant to Article I, Chapter 87 of the General Statutes of the State of North Carolina, the Board began operations through its Operating Fund. The Board's Operating Fund has the right to retain as a reserve at least 10% of the total expense it incurs for each year's operation to meet any emergency that may arise. Any surplus may be paid over to the Greater University of North Carolina for the use of the School of Engineering through the North Carolina Engineering Foundation. The revenues and expenses for the Operating Fund are shown as a proprietary (enterprise) fund.

On October 1, 1991, the Board established the Homeowners Recovery Fund (the "Recovery Fund"), as mandated by Section 87-15 of the General Statutes of the State of North Carolina. The North Carolina Licensing Board for General Contractors is responsible for the administration and maintenance of the Recovery Fund pursuant to the provisions of G.S. 87-15. The Recovery Fund reimburses the Board's Operating Fund for administrative costs on a monthly basis. The purpose of the fund is to reimburse homeowners who have suffered a reimbursable loss under the statute in constructing or altering a single-family residential dwelling unit. Accordingly, it is customary for the Board to have a number of such claims pending. The Board may reject or allow part or all of a claim based on the amount of money in the Recovery Fund. The Recovery Fund is required by statute to maintain a minimum balance of \$250,000. The revenues and expenses for the Recovery Fund are shown as a proprietary (enterprise) fund. The Homeowners Recovery Fund is a restricted fund with expendable and nonexpendable components.

**Financial Reporting Entity**

The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. The accompanying financial statements present all funds and activities for which the Board is responsible.

**Basis of Presentation**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards.

All activities of the Board are accounted for within two proprietary (enterprise) funds as described in the foregoing section above. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

For financial reporting purposes, the Board is a nonmajor enterprise fund of the primary government of the State of North Carolina and is reported as such in the State's Comprehensive Annual Financial Report (CAFR). These financial statements for the Board are separate and apart from those of the State of North Carolina and do not present the financial position of the State nor changes in the State's financial position and cash flows.

**Basis of Accounting and Revenue and Expense Recognition**

The basic financial statements of the Board are prepared using the economic resource measurement focus and the accrual basis of accounting. The economic resource measurement focus measures all assets that are available to the entity, not only cash or soon to be assets. Both long-term assets and long-term liabilities are measured and depreciation is recorded as a cost of operations. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when a liability has been incurred, regardless of the timing of cash flows. Fees received for the various licenses are deemed earned when the license period begins.

The Statements of Revenues, Expenses, and Changes in Net Position classifies the Board's revenues as operating or non-operating revenues. Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Board. Operating revenues consist primarily of license fees and includes activities that have characteristics of exchange transactions. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Non-operating revenues and expenses consist of those revenues and expenses that are related to investing, capital, and non-capital financing activities; and are classified as non-operating in the financial statements.

*Revenue Recognition - Recovery Fund* - Pursuant to Section 87-15 of the General Statutes of North Carolina, revenue of the Homeowners Recovery Fund is derived from fees collected by city and county inspectors for the issuance of permits for the construction or alteration of certain single-family residential dwelling units. Revenues earned but uncollected at year end cannot be determined or reasonably estimated, and accordingly, revenues of the Homeowners Recovery Fund are recorded when collected.

**Cash and Cash Equivalents**

This classification includes undeposited receipts, petty cash, checking accounts and time deposits (excluding certain certificates of deposit, if any) held by the Board.

**Prepaid Expenses**

This classification includes prepaid commercial insurance, prepaid lease expense, and other miscellaneous prepaid expenses.

**NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

**Compensated Absences (Vacation and Sick Leave)**

Until May 1, 2015, Board policy (former policy) allowed for all eligible employees to accumulate up to thirty days earned vacation and such leave was fully vested when earned; and at the end of each calendar year, accrued vacation leave in excess of the limits were transferred and added to sick leave balances. Further, until May 1, 2015 the Board's sick leave policy provided for an unlimited accumulation of earned sick leave, however, the sick leave was not fully vested when earned, but was only payable when taken, or on retirement at a specified age. This former policy is still in place for employees hired prior to May 1, 2015. On May 1, 2015, the Board adopted a (new policy) for vacation and sick leave (referred to as PTO, or paid time off) for employees hired on or after that date, wherein an employee can accumulate 10 to 16 hours per month with a maximum accumulation of 120 to 192 hours per year (dependent on years of service), such leave being fully forfeitable if not fully used at June 30<sup>th</sup> of each year. On July 1, 2016, the board amended the foregoing policy wherein, as of July 1, 2016, an employee can accumulate 10 to 16 hours per month with a maximum accumulation of 120 to 192 hours per year (dependent on years of service), such leave being cumulative up to a maximum of 240 hours at the end of any year, with any leave balance in excess of 240 hours being forfeitable if not fully used at June 30<sup>th</sup> of each year (except that there is a provision for exception to the maximum carryover hours if written pre-approval is obtained from the appropriate authoritative management official).

Generally, the Board has no obligation for accumulated sick leave until it is actually taken, or until retirement (for those employees hired before May 1, 2015), therefore, no accrual for sick leave is made unless the affected employee(s) has attained the specified retirement age and has officially retired. Further, since the Board has no obligation for accumulated paid time off (PTO) until it is actually taken (for those employees hired on or after May 1, 2015), no accrual for paid time off (PTO) has been made. The Board has a contingent liability for sick leave in the amount of \$179,245 at December 31, 2018 and for paid time off (PTO) in the amount of \$28,411 at December 31, 2018; and a contingent liability for sick leave in the amount of \$214,021 at December 31, 2017 and for paid time of (PTO) in the amount of \$17,321 at December 31, 2017.

Amounts paid to employees (who retired during 2018 and 2017) for accumulated sick leave under the former vacation and sick leave policy amounted to \$9,386 during 2018 and \$144,379 during 2017. These amounts are included in the operating expense categorization (of the Operating Fund) entitled "Salaries (including accumulated leave)".

Accumulated earned compensated absences payable and vested at December 31, 2018 and 2017, consisted of the following. The balance at December 31, 2018 consisted of \$42,652 accrued vacation leave and no accrued sick leave. The balance at December 31, 2017 consisted of \$47,252 accrued vacation leave and \$126,544 accrued sick leave.

|                   | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|-------------------|--------------------------|--------------------------|
| Current portion   | \$ 10,663                | \$ 138,357               |
| Long-term portion | <u>31,989</u>            | <u>35,439</u>            |
| Total             | <u>\$ 42,652</u>         | <u>\$ 173,796</u>        |

**Capital Assets**

Property and equipment items are stated at cost and are being depreciated over their useful lives on a straight-line basis. The value of assets constructed includes all material direct and indirect construction costs. Interest costs incurred are capitalized during the period of construction. The Board capitalizes assets that have a value or cost of \$800 or greater at the date of acquisition and an estimated useful life of more than one year. Depreciation is computed using the straight-line method of depreciation over the estimated useful lives of the assets, generally estimated as follows: buildings, 50 years and office furniture and equipment, 5 to 10 years.

**NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

**Unearned Revenue**

The Board's fees are assessed and collected on a fiscal year basis, which corresponds with the Board's accounting period. Licenses are renewed for a period of one fiscal year. License renewal fees received in the latter part of the fiscal year are deferred and recognized as revenue over the one year period to which they relate.

**Net Position**

Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any loan proceeds that are attributable to the acquisition, construction, or improvement of those capital assets.

Restricted net position - This component of net position consists of net position which the Board is legally or contractually obligated to spend in accordance with restrictions imposed by external parties. The Homeowners Recovery Fund is a restricted fund with expendable and nonexpendable components.

Unrestricted net position - This component of net position consists of net position that does not meet the definition of *restricted or net investment in capital assets*. The Board has designated a reserve for legal expenses in the amount of \$600,000 for the years ended December 31, 2018 and 2017 for its unrestricted net position, and a reserve for accrued compensated leave due employees on termination in the amount of \$303,561 for the year ended December 31, 2018 and \$438,322 for the year ended December 31, 2017 for its unrestricted net position.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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Note 2 - Deposits

**Deposits**

All of the Board's deposits which are uninsured are uncollateralized [unless collateralized pursuant to NC Administrative Code (20 NCAC 7)] by the financial institution holding said deposits. For deposits, custodial credit risk is the risk that in the event of the failure of the depository (or counterparty), the Board will not be able to recover the value of its deposits that are in the possession of the outside party. The Board does not have formal written policies regarding custodial credit risk for deposits.

At December 31, 2018, the Board's Operating Fund deposits had a carrying amount of \$4,318,537 and a bank balance of \$4,327,720. Of the bank balance, \$607,663 was covered by federal depository insurance (Federal Deposit Insurance Corporation), and \$3,720,057 was uninsured and uncollateralized [unless collateralized pursuant to NC Administrative Code (20 NCAC 7)]. At December 31, 2018, the Board's Recovery Fund deposits had a carrying amount of \$334,511 and a bank balance of \$334,526. Of the bank balance, \$326,658 was covered by federal depository insurance (Federal Deposit Insurance Corporation), and \$7,868 was uninsured and uncollateralized [unless collateralized pursuant to NC Administrative Code (20 NCAC 7)].

At December 31, 2017, the Board's Operating Fund deposits had a carrying amount of \$4,055,319 and a bank balance of \$3,819,886. Of the bank balance, \$500,000 was covered by federal depository insurance (Federal Deposit Insurance Corporation), and \$3,319,886 was uninsured and uncollateralized [unless collateralized pursuant to NC Administrative Code (20 NCAC 7)]. At December 31, 2017, the Board's Recovery Fund deposits had a carrying amount of \$655,989 and a bank balance of \$656,003. Of the bank balance, \$250,000 was covered by federal depository insurance (Federal Deposit Insurance Corporation), and \$406,003 was uninsured and uncollateralized [unless collateralized pursuant to NC Administrative Code (20 NCAC 7)].

Note 3- Capital Assets

Changes in capital assets as of and for the years ended December 31, 2018 and 2017 are as follows:

|                     | Cost<br>12-31-17    | Acquisitions     | Disposals         | Cost<br>12-31-18    | Accumulated<br>Depreciation | Net<br>Amount       |
|---------------------|---------------------|------------------|-------------------|---------------------|-----------------------------|---------------------|
| Land                | \$ 1,078,039        | \$               | \$                | \$ 1,078,039        | \$                          | \$ 1,078,039        |
| Building            | 5,376,861           |                  |                   | 5,376,861           | 596,206                     | 4,780,655           |
| Furniture/Equipment | 1,111,852           | 2,743            | 159,598           | 954,997             | 721,469                     | 233,528             |
|                     | <u>\$ 7,566,752</u> | <u>\$ 2,743</u>  | <u>\$ 159,598</u> | <u>\$ 7,409,897</u> | <u>\$ 1,317,675</u>         | <u>\$ 6,092,222</u> |
|                     | Cost<br>12-31-16    | Acquisitions     | Disposals         | Cost<br>12-31-17    | Accumulated<br>Depreciation | Net<br>Amount       |
| Land                | \$ 1,078,039        | \$               | \$                | \$ 1,078,039        | \$                          | \$ 1,078,039        |
| Building            | 5,376,861           |                  |                   | 5,376,861           | 523,920                     | 4,852,941           |
| Furniture/Equipment | 1,106,471           | 14,621           | 9,240             | 1,111,852           | 800,099                     | 311,753             |
|                     | <u>\$ 7,561,371</u> | <u>\$ 14,621</u> | <u>\$ 9,240</u>   | <u>\$ 7,566,752</u> | <u>\$ 1,324,019</u>         | <u>\$ 6,242,733</u> |

When an asset is disposed of, the cost of the asset and the related accumulated depreciation are removed from the books. Any gain or loss on disposition is reflected in earnings for the period. Depreciation expense was \$151,543 for the year ended December 31, 2018 and \$160,620 for the fiscal year ended December 31, 2017.

**NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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Note 4 - Accounts Payable

Accounts payable consists of amounts due to vendors in the ordinary operations of the Board. Accounts payable due in the ordinary operations of the Board which are due to other state agencies (if any) are reported separately.

|                             | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|-----------------------------|--------------------------|--------------------------|
| Due to Vendors              | \$ 68,237                | \$ 34,672                |
| Due to Other State Agencies | 898                      | 884                      |
| Total Accounts Payable      | <u>\$ 69,135</u>         | <u>\$ 35,556</u>         |

Note 5 - Operating Leases

The Board leased office equipment, computer equipment and vehicles under operating leases during the years audited herein. Total rent expense charged to operations under lease agreements was \$140,148 in 2018 and \$59,196 in 2017. The Board entered into its first lease agreements for vehicles during the year ended December 31, 2017. The Board leased six sport utility vehicles (SUV's) for Board management and staff investigators' use. Rental commitments under noncancellable operating leases at December 31, 2018 are as follows:

| <b>Year Ending December 31,</b> |                   |
|---------------------------------|-------------------|
| 2019                            | \$ 127,969        |
| 2020                            | 101,570           |
| 2021                            | 71,305            |
| 2022                            | 19,091            |
|                                 | <u>\$ 319,935</u> |

Note 6 - Note Payable and Changes in Long-Term Liabilities

**Note Payable**

The Board entered into a loan agreement with a local financial institution to fund the purchase of the land and office building on which it operates. Following is a summary of that note payable.

|  | <u>2018</u>         | <u>2017</u>         |
|--|---------------------|---------------------|
| Note payable to financial institution, collateralized by land and building, due in monthly installments of \$31,254, at 2.95% interest, through December 17, 2025. The original issuance amount for this loan was \$4,500,000. The loan was refinanced with a lower interest rate and a lower payment amount effective January 2016. | \$ 2,367,720        | \$ 2,667,088        |
| Total  | <u>\$ 2,367,720</u> | <u>\$ 2,667,088</u> |

**NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 6 - Note Payable and Changes in Long-Term Liabilities (Continued)**

The estimated maturities of debt for each of the years subsequent to December 31, 2018, are as follows:

| <b>Years Ended December 31,</b> | <b>Principal</b>    | <b>Interest</b>   |
|---------------------------------|---------------------|-------------------|
| 2019                            | \$ 309,365          | \$ 65,687         |
| 2020                            | 318,616             | 56,436            |
| 2021                            | 328,143             | 46,909            |
| 2022                            | 337,955             | 37,097            |
| 2023                            | 348,061             | 26,991            |
| 2024 and beyond                 | 725,580             | 22,378            |
| Total                           | <u>\$ 2,367,720</u> | <u>\$ 255,498</u> |

**Changes in Long-Term Liabilities**

A summary of changes in long-term liabilities (note payable and accrued compensated absences) for the years ended December 31, 2018 and December 31, 2017 is presented as follows.

|                      | Balance             |                  |                   | Balance             | Long-Term           | Current           |
|----------------------|---------------------|------------------|-------------------|---------------------|---------------------|-------------------|
|                      | 12-31-17            | Additions        | Reductions        | 12-31-18            | Portion             | Portion           |
| Note Payable         | \$ 2,667,088        | \$               | \$ 299,368        | \$ 2,367,720        | \$ 2,058,355        | \$ 309,365        |
| Compensated Absences | 173,796             | 37,806           | 168,950           | 42,652              | 31,989              | 10,663            |
|                      | <u>\$ 2,840,884</u> | <u>\$ 37,806</u> | <u>\$ 468,318</u> | <u>\$ 2,410,372</u> | <u>\$ 2,090,344</u> | <u>\$ 320,028</u> |

  

|                      | Balance             |                   |                   | Balance             | Long-Term           | Current           |
|----------------------|---------------------|-------------------|-------------------|---------------------|---------------------|-------------------|
|                      | 12-31-16            | Additions         | Reductions        | 12-31-17            | Portion             | Portion           |
| Note Payable         | \$ 2,957,646        | \$                | \$ 290,558        | \$ 2,667,088        | \$ 2,366,675        | \$ 300,413        |
| Compensated Absences | 111,350             | 210,779           | 148,333           | 173,796             | 35,439              | 138,357           |
|                      | <u>\$ 3,068,996</u> | <u>\$ 210,779</u> | <u>\$ 438,891</u> | <u>\$ 2,840,884</u> | <u>\$ 2,402,114</u> | <u>\$ 438,770</u> |

**Note 7 - Pension and Retirement Plans and Postemployment Benefits**

On June 1, 1983, the General Assembly of North Carolina enacted legislation which excludes certain licensing boards (including the North Carolina Licensing Board for General Contractors) from membership in the Teachers' and State Employees' Retirement System (TSERS) of North Carolina. Accordingly, the Board has no employees eligible to participate in the Teachers' and State Employees' Retirement System of North Carolina (TSERS). Additionally, the Board has no previously employed persons eligible to participate in TSERS who qualify for postemployment benefits. The Board has established a separate retirement plan for its employees. The Board assumes no liability for retirement benefits provided other than its required contributions. The Board has no postemployment benefits other than this defined contribution retirement plan and those benefits discussed in the foregoing Compensated Absences footnote disclosure section.

**Discretionary Defined Contribution Plan**

During the year ended December 31, 1992, the Board adopted a discretionary defined contribution plan on behalf of employees of the Board who were not eligible to participate in the Teachers' and State Employees' Retirement System. The Board terminated this plan on January 1, 2001 and rolled over its employees' account balances into the IRC 414(h) plan discussed in the following section.



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Note 7 - Pension and Retirement Plans and Postemployment Benefits (Continued)

**IRC 414(h) Plan**

Effective January 1, 2001, the Board established a salary reduction, defined contribution retirement savings plan in accordance with Internal Revenue Code Section 414(h). During 2018, eighteen employees were covered under the plan, consisting of four management employees and fourteen staff employees. Only the Board and Board employees contribute to the plan, and only the Board has the authority to authorize and amend the plan. There are no forfeitures inuring to other employees under this type plan. Eligible employees must contribute at least 6% of their qualifying compensation each year and the Board matches those contributions 100%. Employee's contributions are immediately 100% vested; the Board's contributions are 100% vested after 5 years of credited service.

The Board's covered payroll for 2018 was \$937,067; the Board's total payroll was \$976,081. The Board's covered payroll for 2017 was \$952,283; the Board's total payroll was \$1,140,566. The Board's covered payroll for 2016 was \$973,883; the Board's total payroll was \$1,007,085. The total contribution for the year ended December 31, 2018 was \$126,447, which consisted of \$56,224 from the Board and \$70,223 from employees. The total contribution for the year ended December 31, 2017 was \$135,356, which consisted of \$57,137 from the Board and \$78,219 from employees. The total contribution for the year ended December 31, 2016 was \$129,928, which consisted of \$58,433 from the Board and \$71,495 from employees.

Note 8 - Administrative Reimbursement from Recovery Fund to Operating Fund

The Board provides office space and administrative and clerical services for the Recovery Fund's operation. A monthly administrative fee was reimbursed to the Board's Operating Fund for the fiscal years ended December 31, 2018 and 2017. The annual administrative fee was \$79,200 for 2018 and \$79,200 for 2017. Additionally, direct operating expenses of the Recovery Fund such as professional fees, and specifically identifiable office expenses are paid from the Recovery Fund's separately maintained special account.

Note 9 - Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled by participation in state-administered risk programs and self retention of certain risks. Additionally, the Board protects itself from exposure to potential loss through the purchase of commercial insurance coverage. There have been no significant reductions in insurance coverage from coverage in the prior year, and no insurance claims (other than claims by employees for health related coverages) were filed during any of the last three fiscal years.

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Note 10 - Contingencies

**Disciplinary Hearings**

The Board is involved in a number of disciplinary hearings throughout the year which arise in the ordinary course of its operations. In the opinion of management of the Board, the results of such actions during the years under audit do not materially affect the Board's operations, changes in financial position, or cash flows for the years herein ended.

**Recovery Fund Claims**

The Recovery Fund of the North Carolina Licensing Board for General Contractors is presented with a number of claims throughout each year requesting reimbursement for reimbursable losses as defined under North Carolina General Statute 87-15. There were no awarded but unpaid claims payable at December 31, 2018 and 2017. There were \$427,739 of pending but unawarded claims at December 31, 2018 and there were \$1,270,391 of pending but unawarded claims at December 31, 2017. Further, there were incurred but unreported losses at each year end which are statistically inestimable. The Board may reject or allow part or all of a claim based on the amount of money in the Recovery Fund. Accordingly, in the opinion of management of the Board, the resulting liabilities of such claims do not materially affect the Board's operations, changes in financial position, or cash flows for the years herein ended.

Note 11 - Subsequent Events

Subsequent events have been evaluated through April 26, 2019, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in financial statements would be required.

Note 12 - North Carolina Legislative Statutory Disclosure Requirement Concerning Audit Fees

This audit required 130 audit hours at a cost of \$15,595.